Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

CONFIDENTIAL

PAGE 01 PEKING 02854 01 OF 02 120808Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----------085542 120814Z /12
R 120701Z SEP 78
FM USLO PEKING
TO SECSTATE WASHDC 1970

C O N F I D E N T I A L SECTION 1 OF 2 PEKING 2854

EXDIS

E.O. 11652: GDS
TAGS: EIND, EPAP, ETRD, CH, US
SUBJ: PROPOSED U.S. RESTRAINTS ON CHINESE TEXTILES

REFS: A. STATE 223966; B. STATE 225266

1. SUMMARY: IN CALL TO PRESENT NEW USLO AGRICULTURAL OFFICER TO TEXTILE CORPORATION, GENERAL MANAGER WANG MIN-CHUN RAISED THE U.S. PROPOSAL FOR RESTRAINTS ON PRC TEXTILE EXPORTS TO THE U.S. WANG REJECTED U.S. INVITATION TO COME TO WASHINGTON TO NEGOTIATE THE PROBLEM AND MADE STANDARD ARGUMENTS AGAINST RESTRAINTS, STRESSING FACT THAT CHINESE EXPORTS ALREADY PAY HIGH AND DISCRIMINATORY DUTIES.

2. WE DO NOT FEEL THAT NEGOTIATIONS ARE CLOSED OFF, BUT WE BELIEVE THAT A NEW LOOK AT THE PROBLEM MAY BE NECESSARY. WE SPECIFICALLY FEEL THAT ANY SOLUTION TO THE PROBLEM SHOULD BE ACCEPTED BY THE PRC. END SUMMARY.

3. USLO ACTING DEPUTY CHIEF, E/C OFFICER AND AGOFFICER CALLED ON CHINA NATIONAL TEXTILES IMPORT AND EXPORT CORPORATION (CHINATEX) GENERAL MANAGER, WANG MIN-CHUN ON SEPT 6 TO PRESENT NEW USLO AGRICULTURAL OFFICER. AT THIS MEETING, WANG RAISED THE U.S. PROPOSAL FOR RESTRAINTS ON IMPORTS OF CHINESE TEXTILES (CHINATEX IS THE PRC STATE TRADING ENTITY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PEKING 02854 01 OF 02 120808Z

RESPONSIBLE FOR ALL CHINESE EXPORTS OF TEXTILES AND APPAREL, AS WELL AS IMPORTS OF COTTON AND ARTIFICIAL FIBERS).

4. WANG MADE THE FOLLOWING MAIN POINTS:
(A) CHINESE EXPORTS TO THE U.S. ARE LOW BOTH ABSOLUTELY AND IN COMPARISON WITH ITS IMPORTS FROM THE U.S., BUT TEXTILE AND APPAREL EXPORTS OCCUPY AN IMPORTANT PORTION

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

OF THE TOTAL;
(B) CHINESE TEXTILES AND APPAREL EXPORTS ACCOUNT FOR ONLY ABOUT ONE PERCENTOTAL U.S. IMPORTS OF THESE PRODUCTS (USLO OFFICERS QUESTIONED THIS FIGURE);
(C) IN GENERAL, U.S. TEXTILE INDUSTRY IS NOT THREATENED BY PRC TEXTILE AND APPAREL EXPORTS BECAUSE OF THE LOW LEVEL OF THESE EXPORTS, BUT FOR A FEW PARTICULAR ITEMS THERE MAY BE SOME CRITICISM BY U.S. INDUSTRY;
(D) CHINATEX'S RECENT TEXTILE AND APPAREL EXPORTS TO THE U.S. TOTALED ABOUT $60-70 MILLION, BUT CHINATEX IMPORTED $200 MILLION WORTH OF COTTON AND CHEMICAL FIBERS (WANG WAS NOT CLEAR ON PRECISELY WHICH PERIOD HE WAS REFERRING TO, BUT APPARENTLY MEANT PART OF 1977 AND EARLY 1978). THEREFORE, THERE IS A BIG IMBALANCE IN SINO-U.S. TEXTILE TRADE FAVORING THE U.S. (COMMENT: DIRECTOR SUN SO-CHANG OF THE THIRD DEPARTMENT OF THE MFT MADE THIS POINT TO ADC AGAIN AT A RECEPTION SEPT 7).
(E) U.S. MAINTAINS HIGH, DISCRINATORY TARIFFS AGAINST CHINESE TEXTILES AND APPAREL. DUTY FOR THESE CHINESE PRODUCTS IS OFTEN MORE THAN DOUBLE THAT FOR OTHER COUNTRIES. THIS IS DISCRIMINATORY AND ITSELF CONSTITUTES A RESTRAINT ON CHINESE EXPORTS. IF THE U.S. IMPOSES ADDITIONAL RESTRAINTS ON TEXTILES AND APPAREL, THIS WILL BE DOUBLY DISCRIMINATING AS WELL AS UNFAIR. THE U.S. SHOULD EXTEND MFN TARIFF TREATMENT TO PRC TEXTILES BEFORE DISCUSSING TEXTILE RESTRAINTS (WHILE WANG SPOKE GENERALLY, HE WAS EVIDENTLY REFERRING TO TEXTILES).
CONFIDENTIAL

CONFIDENTIAL

(F) IN HIS POSITION AS HEAD OF CHINATEX, WANG SAID HE HAS ADVOCATED INCREASED TRADE WITH THE U.S.; HOWEVER, HE MUST CONSIDER THE TOTAL TRADE BETWEEN THE TWO COUNTRIES. IF THE U.S. IMPOSES RESTRAINTS HE MUST TAKE THIS INTO CONSIDERATION IN DECISIONS ON IMPORTING U.S. COTTON AND ARTIFICIAL FIBERS (HERE, WANG IMPLIED THAT PRC WOULD REDUCE ITS IMPORTS OF COTTON AND ARTIFICIAL FIBER FROM THE U.S. IF THE USG WENT AHEAD AND IMPOSED RESTRAINTS, BUT DID NOT SAY SO EXPLICITLY).
(G) FINALLY, WANG SAID HE COULD UNDERSTAND THAT U.S. INDUSTRY AND PS CONGRESSMEN MIGHT CRITICIZE TEXTILE IMPORTS FROM CHINA. HOWEVER, THE USG SHOULD CONSIDER THE LONG-TERM VIEW -- NOT JUST IMMEDIATE CIRCUMSTANCES -- AND SHOULD TAKE INTO ACCOUNT THE OVERALL INTEREST OF THE U.S. IN PROMOTING BILATERAL TRADE WITH CHINA.

3. IN RESPONSE, USLO ADC DREW ON POINTS IN REFTELS. HE INDICATED THAT USG VIEWS HAD ALREADY BEEN CONVEYED AUTHORITATIVELY IN WASHINGTON DURING THE BARRACLOUGH-PENG MEETING ON SEPT 1. BOTH U.S. INDUSTRY AND LABOR LEADERS AS WELL AS CONGRESSMEN HAVE RAISED THE PROBLEM OF RAPID GROWTH IN CHINESE TEXTILE EXPORTS TO THE U.S. WITH THE DEPARTMENT OF STATE. THE U.S. HAS RESTRAINT ARRANGEMENTS WITH ALL OTHER

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

MAJOR TEXTILE EXPORTING COUNTRIES, AND U.S. IMPORTS FROM CHINA ALREADY EXCEED THE LEVELS OF SEVENTEEN OF THESE COUNTRIES. ADC REVIEWED THE THREE OPTIONS OPEN TO THE USG AS PRESENTED BY BARRACLOUGH ON SEPT 1 (REF A). HE STRESSED OUR HOPE THAT THE CHINESE WOULD BE WILLING TO DISCUSS FURTHER A SOLUTION TO THIS PROBLEM AND THAT WE COULD WORK OUT A MUTUALLY ACCEPTABLE SOLUTION. HE REITERATED THE USG INVITATION TO CHINA TO SEND A DELEGATION TO WASHINGTON TO DISCUSS

CONFIDENTIAL

NNNN

CONFIDENTIAL

PAGE 01 PEKING 02854 02 OF 02 120816Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----------085590 120820Z /12
R 120701Z SEP 78
FM USLO PEKING
TO SECSTATE WASHDC 1971

C O N F I D E N T I A L SECTION 2 OF 2 PEKING 2854

EXDIS

THIS ISSUE AND SAID THAT FURTHER TALKS COULD PRODUCE AN ACCEPTABLE SOLUTION.

4. WANG MADE NO COMMITMENT TO NEGOTIATE THE RESTRAINT ISSUE (HE SEEMED QUITE NEGATIVE ON THIS POINT), AND HE SPECIFICALLY SAID HE COULD NOT ACCEPT THE INVITATION FOR A CHINESE DELEGATION TO TRAVEL TO THE U.S. TO DISCUSS RESTRAINTS.

5. MEMCON FOLLOWS BY POUCH.

6. COMMENT: DESPITE THE CONTENTIOUS NATURE OF THIS ISSUE, AND WANG'S OBVIOUSLY STRONG FEELINGS, THE MEETING PROCEEDED IN A BUSINESSLIKE AND EVEN FRIENDLY ATMOSPHERE. WANG'S PRESENTATION WAS LOW KEY, SMOOTH, ADROIT, AND COMPETENTLY MADE THE POINTS WE SHOULD EXPECT HIM TO MAKE. HIS MAIN ARGUMENT WAS CINTAINED IN PARA 4(E) ABOVE, WHICH HE STRESSED SEVERAL TIMES. WANG, WHO WOULD BE PRIMARILY RESPONSIBLE FOR RESTRAINTS NEGOTIATIONS, DOES NOT INTEND TO SEND A DELEGATION TO WASHINGTON FOR A COMBINATION OF POLITICAL AND TACTICAL REASONS. WE DO NOT FEEL HE LEFT ANY ROOM TO REVERSE HIMSELF, AND IT IS UNLIKELY THAT HE MADE THE DECISION WITHOUT CONSULTING HIGHER LEVELS. WE DO NOT RPT NOT FEEL,

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

HOWEVER, THAT HE HAS REJECTED FURTHER NEGOTIATIONS, E.G., WITH USLO OR PRCLO OR POSSIBLY A U.S. DELEGATION TO PEKING.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PEKING 02854 02 OF 02 120816Z

7. THIS LEAVES US WITH WHERE TO GO NEXT. WE PRESUME (ALTHOUGH USLO HAS NOT YET RECEIVED THE LIST) THAT THE TWELVE CATEGORIES MENTIONED IN REF A ARE THE HEART OF OUR PROBLEM WITH CHINESE TEXTILE EXPORTS. WE FEEL THAT THE PRC WOULD PREFER INITIATING VOLUNTARY RESTRAINTS ON THESE CATEGORIES TO EITHER NEGOTIATING AN AGREEMENT OR HAVING THE U.S. UNILATERALLY IMPOSTRAINTS. WE WOULD PREFER VOLUNTARY RESTRAINTS POLITICALLY, BUT PROBLEMS IN ADMINISTRATION COULD MAKE AN INFORMALLY NEGOTIATED RESTRAINT AGREEMENT ON THESE CATEGORIES PREFERABLE.

8. WE PARTICULARLY ADVISE AGAINST ANY SOLUTION WHICH DOES NOT HAVE PRC AGREEMENT, PREFERABLY EXPLICIT. THE PRC, AND EVEN CHINATEX SPECIFICALLY, IS IN AN ADMIRABLE POSITION TO RETALIATE AGAINST THE U.S. BY SIMPLY BUYING COTTON AND MAN-MADE FIBERS ELSEWHERE (OR FOR THAT MATTER, WHEAT AND MINING MACHINERY). WHAT IS MUCH MORE IMPORTANT, HOWEVER, IS THAT THE TEXTILE PROBLEM BE SETTLED BY NEGOTIATION AND NOT BY UNILATERAL ADMINISTRATIVE FIAT. IT IS ESSENTIAL THAT OUR RELATIONSHIP WITH THE PEOPLE'S REPUBLIC OF CHINA BE BASED ON A SPIRIT OF NEGOTIATION AND COMPROMISE. CONSIDERING THE GRAVER PROBLEMS WE HAVE WITH CHINA, WE FEEL THAT THE ATMOSPHERE WHICH WOULD BE CREATED BY AMERICAN UNILATERAL RESTRAINTS AND CHINESE RETALIATION WOQPD NOT BE IN THE BROADER INTEREST OF THE UNITED STATES OR EVEN IN THE LONG-TERM INTEREST OF THE U.S. TEXTILE INDUSTRY.

9. USLO WOULD LIKE TO ASSIST IN THE RESOLUTION OF THIS PROBLEM, BUT IS HANDICAPPED BY A LACK OF INFORMATION. WE HAVE NOT YET RECEIVED THE LIST OF TWELVE SENSITIVE CATEGORIES OF TEXTILES OR THE OTHER MATERIALS PROVIDED THE PRC. WE WOULD APPRECIATE RECEIVING THESE AS SOON AS POSSIBLE, PLUS THE STATISTICAL AND OTHER BACKUP MATERIALS WHICH PRECEDED
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PEKING 02854 02 OF 02 120816Z

THE DEMARCHE OF SEPT 1. WOODCOCK

CONFIDENTIAL

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

NNNN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, NEGOTIATIONS, TRADE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 sep 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PEKING02854
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780382-0004
Format: TEL
From: PEKING
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780976/aaaaclef.tel
Line Count: 219
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 41d15b52-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 78 STATE 223966, 78 STATE 225266
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1467590
Secure: OPEN
Status: NATIVE
Subject: PROPOSED U.S. RESTRAINTS ON CHINESE TEXTILES
TAGS: EIND, EPAP, ETRD, CH, US
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/41d15b52-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014